

~~CIA INTERNAL USE ONLY~~

OGC Has Reviewed

STATINTL

MEMORANDUM FOR: [REDACTED]

Chairman, Board of Directors
Government Employees Health Association

SUBJECT : Administrative Costs of GEHA

REFERENCES : (a) Memo dtd 24 May 1955 for DD/S fr C/Mgmt Staff,
sub: Cost of Administering the Agency Insurance Program and the Casualty Affairs Activities

(b) Memo dtd 28 April 1955 for DD/S fr GC, sub: Purchase of Office Machines for Use by GEHA

(c) Memo dtd 6 April 1955 for DD/S from Chmn., Board of Directors, GEHA, sub: Administrative Action With Respect to the Insurance and Claims Branch, Office of Personnel

1. Reference (c) requested authorization to purchase a National Cash Register bookkeeping machine costing about \$4,500.00, the use of which would greatly simplify the clerical work involved in record keeping for the Agency's beneficial insurance plans.

2. The General Counsel questioned (Reference (b)) the propriety and legality of the Agency's paying from its appropriated funds not only the cost of the bookkeeping machine but also the total overhead expenses of GEHA, and recommended that approval be deferred until the entire problem of the overhead costs of GEHA could be studied.

3. This matter has been reviewed with the General Counsel and the officers of GEHA, and the following points have been developed: —

(a) The special security considerations of the Agency, particularly those of the Clandestine Services, prohibit normal direct contact by policy holders with the underwriters of the GEHA policy. As a result, a basic workload is laid upon the insurance program of the Agency, the cost of which is directly attributable to security requirements.

(b) see [REDACTED] draft.

(4) see ref. sheet.

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b. The burdens on this program imposed by the security requirements of this Agency are such that the proportion of expenses which might be borne by GEHA are so negligible as not to be measurable and consequently Agency funds may be utilized as required and as otherwise approved.

4. On the basis of the facts as determined, I find that the functions of GEHA are based on the security requirements of the Agency and are necessary for the performance of the Agency Mission. Consequently, administrative support of GEHA from Agency funds is authorized.

LKW